

Benefits of Planning

- ◆ Allows the entrepreneur to take an **objective look** at the proposed venture
- ◆ **Helps develop** short and long term goals
- ◆ Helps everyone in the business understand and **work toward goals**
- ◆ Serves as a **benchmark** against which to **measure the progress** of the business toward its goals
- ◆ Serves as a **sales tool** for obtaining **financial support** from potential investors

Two Majors Functions of a Business Plan

- 1. To create a clearly articulated statement which allows the individual to take an objective look at his/her business and assess the proposed venture against the backdrop of the industry, the competition, and the intended market. The business plan provides a guide for operating the business once it is up and running.**
- 2. To provide potential investors with the information they need to evaluate the business plan and make a decision regarding financial support of the proposed venture.**

ACTIVITY 6A

The Components of a Business Plan

I. Executive Summary

- ◆ A brief (usually one page) statement of the business plan objectives. It is a summary and reflects the contents of the finished plan.
- ◆ Do not write your executive summary until you finish your business plan.
- ◆ Address the following questions and add additional information that will help you achieve your goals:
 - ✓ What is the purpose of this plan? Will it be used as an operating guide and/or a financial proposal?
 - ✓ What business structure have you chosen (i.e., sole proprietorship, partnership, corporation, s-corporation)?
 - ✓ Why will the venture be successful?
 - ✓ Who is requesting the funds and how much is needed?
 - ✓ What will the money be used for?
 - ✓ How will the funds be repaid?
 - ✓ What collateral will be offered to secure the loan?
 - ✓ Why does a loan or an investment make sense?
 - ... impact on the economy
 - ... job creation
 - ... increased tax base
 - ... investment in the future of the community

II. Company Description

- ◆ Name
- ◆ Type of business : Identify if your business is retail, e-tail, service, or manufacturing
- ◆ Mission: Project the short and long term goals of your business
- ◆ Status: Note the stage of development: is it a start-up, existing business, etc.
- ◆ Product : Describe your product or service, indicate if patent is needed
- ◆ Location
 - ✓ Describe your projected or current location
 - ✓ Note what renovations will be made
 - ✓ Describe the other businesses in the neighborhood
- ◆ Project costs associated with that location (If the location is important to marketing, mention it again in the marketing section)
- ◆ Competitive Advantage
- ◆ Success Factors
 - ✓ Identify personal talents/abilities
 - ✓ Describe personal assets
- ◆ Financial Status

ACTIVITY 6A

The Components of a Business Plan (Cont.)

III. Marketing Analysis

- ◆ Target Market: Identify demographics, psychographics and niche market specifics (age, gender, occupation, lifestyle, income, etc)
- ◆ Pricing Strategy: Explain pricing strategies that will be used to “sell” your product or service
- ◆ Competition: Describe major competitors; addressing their strengths and weaknesses
- ◆ Market Trends
 - ✓ Discuss research collected on the industry in which your business operates
 - ✓ Identify customer trends (i.e. eating healthier food)
- ◆ Market Research: Describe methods of research, database analysis and results summary (i.e. you conducted a market survey and you explain the results and how you will use them in developing your business)
- ◆ Marketing Strategy
 - ✓ General description of your marketing plan with approximate budget planned
 - ✓ Describe your method of sales and distribution (mall, store, kiosk, on-line, etc.)
 - ✓ Explain your sales strategy (direct sales, direct mail, email, etc.)
 - ✓ Describe your advertising strategies (slogans, ads, websites, promotions, coupons, etc.)

IV. Management and Organization

- ◆ Structure
 - ✓ Explain how you will structure your organization
 - ✓ List people who will be running your business
 - ✓ Describe their responsibilities and abilities
 - ✓ Project their salaries
- ◆ Personnel
 - ✓ Explain how many employees you will need to hire
 - ✓ Describe what positions will they hold
 - ✓ Note the training you will use to prepare your employees
 - ✓ Describe the qualifications needed for employment
 - ✓ List the hours they will work
 - ✓ Describe your future labor needs
- ◆ Development and Production
 - ✓ Describe your production process
 - ✓ Explain if you are renting or purchasing your facility
 - ✓ Identify possible suppliers and materials needed to produce your product or service
 - ✓ Set up a production process
 - ✓ Describe your needed equipment and how you will rent or purchase it
 - ✓ Explain your inventory process
 - ✓ Describe your delivery procedures

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The Components of a Business Plan (Cont.)

IV. Management and Organization (con't)

- ◆ Government Regulations: Describe licenses, permits, zoning requirements, copyrights, trademarks, or any other government regulations that effect your business
- ◆ Insurance: Describe your potential business risks and tell what insurance coverage you will purchase to protect your business (property, liability, life and health, etc.)

V. Financial Information

- ◆ Operating Costs Worksheet: Indicate the monthly expenses to calculate the amount of money necessary to run the business for six months.
- ◆ Start Up Funds Worksheet: List Starting Capital (Sources of Funds) you will have to start the business and list Expenses (Use of Funds): items needed, cost of the items, and the reason you need the items to start your business – these are necessary expenditures before you “open your door”.
- ◆ Projected Income Statement: Revenue/Annual Expenses/Net Profit: Describe the cash inflow (revenue) and outflow (expenses) of your business – use for internal planning and to figure the net profit after several years of operating your business.

VI. Supporting Documents (a minimum of 5 supporting documents is recommended in this section)

- ◆ Resumes
- ◆ Floor Plan
- ◆ Market Research
- ◆ Technical Information, etc.
- ◆ Business Cards
- ◆ Letters of Reference
- ◆ Legal Documents (partnership agreements, articles of incorporation, contracts, leases, etc.)
- ◆ Real World Business Example
 - ◇ Interview an owner of the type of business you are opening
 - ✓ Describe the business
 - ✓ Explain how it operates
 - ✓ Describe its marketing
 - ✓ Explain the its finances
 - ◇ Write a one page summary of this interview

A Cover Letter and Table of Contents should be included with all Business Plans. Plans must be submitted electronically using the BPC Outline and Forms Word document available for download from www.economicspa.org.